



European Federation  
for Services to Individuals

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**Algirdas ŠEMETA**

European Commissioner for Taxation, Customs,

Anti-fraud, Audit and Statistics

European Commission

B-1049 Brussels

Belgium

Brussels, February 6<sup>th</sup>, 2013

Dear Commissioner Šemeta,

As the European Federation for Services to Individuals, EFSI represents national federations and companies involved in the development of personal and household services in Europe. This includes a broad range of activities that contributes to well being at home of families and individuals such as child care, long term care for the elderly and for persons with disabilities, housework, remedial classes, home repairs, gardening, etc.

In the framework of the current review of the VAT system, EFSI would like to voice out its concerns regarding the review of the scope of reduced VAT rates.

Due to its high employment content and high labour costs, the personal and household services sector cannot develop in the formal economy without supporting measures<sup>1</sup>. This is why tax incentives and reduced VAT rates implemented by many Member States have all their importance in this context. Currently, at least 12 Member States apply a reduced rate to at least one personal and household service listed in Annex III of the Directive 2006/112/CE.

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<sup>1</sup> In 2010, the share of informal work in the market of personal and household services amounted to 70% in Italy and Spain; 50% in the UK; 45% in Germany; 40% in the Netherlands; 30% in France and Belgium and 15% in Sweden, according to a report prepared for the French Ministry of Economy (2011).

EFSI would like to recall that several studies prepared for the European Commission demonstrated that reduced VAT rates applied to personal and household services do not create distortive effect on the internal market. Quite the reverse, reduced VAT rates help offset the distortion created by taxation in general in sector that can be substitute by do-it-yourself home production, boost workers' productivity as well as formal economic output.

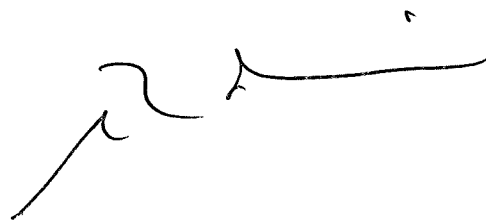
In addition, reduced VAT rates partially offset the current distortion of competition between personal and household services' providers. Indeed, personal and household services can be purchased by users through the direct employment of the worker or through not-for-profit and for-profit providers. For-profit providers are the only ones entitled to VAT payments, the other two types of purchase being VAT exempted. Reducing the scope of reduced VAT rates will result in such unfair market conditions for for-profit providers that their viability would be call into question.

Thus, EFSI believes that Member States' competence to decide whether or not they will apply reduced rates to personal and household services should be maintained on the extent that their positive effect on growth and jobs have been proven.

Furthermore, a comprehensive and coherent approach should be ensure by the European Commission. Whereas the Directorate General for Employment, Social Affairs and Inclusion has launched an initiative to foster the job creation potential of personal and household services, EFSI calls on the Directorate General for Taxation not to endanger the sector's development by limiting the scope of reduced VAT rate in the current review of the VAT system. A clearer definition of services than can be subject to reduced VAT on a EU level is needed. This is why, EFSI urges the European Commission to add to the list stated in the Annex III of Directive 2006/112/CE a comprehensive category as such for "personal and household services" – defined as all activities that contributes to well being at home of families and individuals - to which reduced rate shall be applied.

Would you need further information, Dear Commissioner, I remain at your disposal.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'N. Renaudin', with a long horizontal stroke extending to the right.

Nathalie RENAUDIN  
EFSI President



The European Federation for Services to Individuals (EFSI) brings national federations and associations as well as companies involved in the development of personal and household services in Europe. Those services include home services, childcare facilities, tutoring, and services to enable disabled, dependents and elderly people to continue to live in their own home.

Through its members, EFSI is present in 22 EU Members' States (Austria, Belgium, Bulgaria, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxemburg, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Sweden, United-Kingdom).

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